

Message Text

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ACTION OPIC-06

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E.O. 11652 N/A
TAGS: BGEN, EINV, CE
SUBJ: AMERICAN FIRM BID FOR OFF-SHORE DRILLING; OPIC INSURANCE

REF: (A) COLOMBO 1176 (B) UNDATED OPIC MEMORANDUM
REQUESTING PRELIMINARY INFORMATION

DEPART PASS OPIC FOR ELLA E. VICK, APPLICATIONS OFFICER

1. DURING RECENT WEEKS SUN MARINE DRILLING COMPANY OFFICERS AND CEULON PETROLEUM CORPORATION (CPC) EXECUTIVES HAVE CONFIRMED THAT SUN MARINE HAS GOOD CHANCE FOR SELECTION FOR OFF-SHORE DRILLING CONTRACT FOLLOWING CPC WORLD-WIDE CALL FOR BIDS (SEE REFTEL). ON JUNE 17 CPC VICE CHAIRMAN TOLD EMBASSY CPC HAS NOW NARROWED POSSIBILITIES TO "FOUR OR FIVE FIRMS", HAS CALLED FOR FURTHER DETAILS FROM THOSE FIRMS, AND WILL MAKE SELECTION WITHIN NEXT FEW WEEKS. CPC WILL THEN ENTER DETAILED NEGOTIATIONS WITH SELECTED FIRM TOWARD ACTUAL SIGNING OF DRILLING CONTRACT.

2. FOLLOWING EARLY MAY OPIC MEMORANDUM REQUESTING PRELIMINARY INFORMATION FOR EVENTUAL OPIC POLITICAL RISK INSURANCE WE DISCUSSED SUN MARINE PROPOSAL IN THAT CONTEXT WITH CPC AND VISITING SUN MARINE OFFICIALS. (VICE PRESIDENTS R.H. GRAHN AND DEWITT KNOX). HEREWITNESS ARE RESPONSES TO MEMORANDUM'S SPECIFIC QUESTIONS FOLLOWED BY QUESTIONS WE HAVE WITH RESPECT TO APPLICATION AND PROCEDURE WHEN UNCLASSIFIED

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FORMAL APPLICATION FOR OPIC INSURANCE IS MADE.

A. INVENTMENT "NEWNESS"; SUN MARINE OFFER OF SERVICES IS IN REPOSE TO FEBRUAR 26 CPC WORLD-WIDE ALL FOR BIDS. SUN MARINE HAS HAD NO PREVIOUS OPERATIONS HERE. THUS IT IS "NEW".
B. THE NATURE AND PURPOSE OF PROPOSED PROJECT IS AS DESCRIBED IN THE REQUEST FOR REGISTRATION.
C. PROBABLE VENEFITS TO SRI LANKA ECONOMY: GSL-CPC HAS HAD ONGOING OIL EXPLORATION PROGRAM FOR SEVERAL YEARS ALTHOUGH WE UNAWARE EXACT ECONOMIC CALCULATIONS GSL HAS MADE TO DETERIME CRITERIA COMMERICALLY EXPLOITABLY DISCOVERY. THERE IS NO QUESTION THAT OIL FIND WOULD BENEFIT SRI LANKA AS CLEARLY ONE OF MOST SERVELY AFFECTED COUNTRIES FOLLOWING OIL AND FOOD PRICE INFLATION OF LAST SEVERAL YEARS.
D. EMBASSY HAS O REASON TO BELIVE IT WOULD RECOMMAND AGAINST ISSURING INSURANCE IF CPC SELECTS SUN MARINE. THERE IS NO REASON TO BELIEVE GSL WOULD NOT APPROVE PROJECT.

3. WITH RESPECT TO THIS OPIC INSURANCE REGISTRATION WE HAVE TWO QUESTIONS. FIRST, THIS IS NOT A PROPOSED INVESTMENT; RATHER IT WOLD B A CONTRACT WITH A GOVERNMENT-OWNED CORPORATION FOR SERVICES RENDERED ON ATURN KEY BASIS. SUN MARINE WOULD HAVE NO EQUITY OR PARTICIPATION BUT WOULD SPLY EQUIPMENT AND SERVICES FOR A FEE. CAN OPIC PLITICAL RISK INSURANCE APPLY TO SKRH A VENTURE; SECOND, UNDER THE BILATERAL AGREEMENT, CERTAIN GSL INVESTMENT APPROVAL PROCEDURE IS PROVIDED. AS WE UNDERSTAND IT, GOVERNMENT APPROVAL WOULD BE REFLECTED ONLY IN A CONTRACT SIGNED BY SUN MARINE AND CPC. IT MAY BE THAT PLANNING MINISTRY INVESTMENT APPROVAL AUTHORITY CAN BE OBTAINED PRO FORMA, BUT WE WOULD LIKE TO KNOW IF THIS WOULD SATISFY OPIC AND BILATERAL AGREEMENT REQUIREMENTS.

VAN HOLLEN

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